

January 26, 2022

**Testimony on House Bill 2**  
**to the House Ways and Means Committee**  
**Income Tax – Work Opportunity Tax Credit**

**Position: Favorable with Amendment**

Maryland Nonprofits is a statewide association of more than 1300 nonprofit organizations and institutions. We urge you to support House Bill 2 with an amendment to be offered by the sponsor, that allows those nonprofits who participate in the federal Work Opportunity Tax Credit program to receive a similar incentive under this Bill.

Nonprofits represent approximately 12 percent of private employment in the state and have experienced most of the same workforce challenges as other employers throughout the COVID pandemic as well as losses of revenue.

While most of the provisions of the Federal WOTC do not apply to nonprofits, tax-exempt organizations described in IRC Section 501(c) may claim the credit for hiring qualified veterans. At the federal level, after the required certification (Form 8850) is secured, tax-exempt employers claim the credit against the employers share of Social Security tax by separately filing Form 5884-C, Work Opportunity Credit for Qualified Tax-Exempt Organizations Hiring Qualified Veterans.

At the state level, the amendment would allow nonprofit employers to claim the state tax credit against the employer withholding account with the State Comptroller. This would work in the same way that the current state tax credits for employer provided commuting benefits and for employment of persons with physical or mental disabilities have done for a number of years.

We urge you to give House Bill 2 a favorable report as amended in that form.